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4 MEETING
5 OF THE
6 GOVERNING BOARD OF
7 CHICAGO DEVELOPMENT FUND

8 City Hall - Room 1000
9 121 North LaSalle Street
10 Chicago, Illinois

11 September 16, 2014
12 3:06 p.m.

13 Mr. Andrew Mooney, Chairman
14 Alderman Carrie Austin
15 Ms. Alexandra Holt
16 Ms. Stephanie Neely
17 Alderman Thomas Tunney

18 Mr. Gerald Alder
19 Mr. Kant Desai
20 Mr. Scott Fehlan
21 Ms. Tracy Sanchez

22 Mr. Mitchell Holzrichter

23 Mr. Tony Smith
24 Mr. James Simmons

25 Reported by: Nick D. Bowen
26 CSR No. 084-001661

1 CHAIRMAN MOONEY: Let's call the meeting to
2 order.

3 We'll go around the table and
4 introduce ourselves.

5 Andy Mooney, president of the board.

6 Alex.

7 MS. HOLT: Alex Holt, budget director.

8 ALDERMAN TUNNEY: Tom Tunney from the 44th
9 Ward.

10 MS. NEELY: Treasurer Stephanie Neely, City
11 of Chicago.

12 CHAIRMAN MOONEY: Okay. Those are the
13 members of the board.

14 Tony.

15 MR. SMITH: Tony Smith with S.B. Friedman &
16 Company.

17 MR. SIMMONS: James Simmons also with S.B.
18 Friedman.

19 MS. SANCHEZ: Tracy Sanchez, DPD.

20 MR. DESAI: Kant Desai, City Treasurer's
21 office.

22 MR. ALDER: Jerry Alder, City Treasurer's
23 office.

24 MR. HOLZRICHTER: Mitch Holzrichter with

1 Mayer Brown.

2 MR. FEHLAN: Scott Fehlan, City's Law
3 Department.

4 CHAIRMAN MOONEY: Okay. Thanks.

5 Lois Scott will be joining us in a
6 little bit.

7 Much of this material you've seen
8 before, so we're going to rip right through it.
9 The real point for today's meeting is to get your
10 approval on the next application, which is already
11 here.

12 So first thing we have to do,
13 though, is the approval of the minutes of August 6.

14 Is there a motion?

15 MS. NEELY: Motion.

16 CHAIRMAN MOONEY: Second?

17 MS. HOLT: Second.

18 CHAIRMAN MOONEY: So moved and seconded.

19 All in favor say aye.

20 (Chorus of ayes.)

21 And approved.

22 Hello, Alderman. Good to have you
23 with us. Thank you.

24 ALDERMAN AUSTIN: Good morning.

1 CHAIRMAN MOONEY: So why don't we move on
2 then to approved projects.

3 MR. SMITH: Sure.

4 CHAIRMAN MOONEY: And Alderman Austin is with
5 us.

6 MR. SMITH: So our familiar chronological
7 chart showing transaction closings to date on
8 projects that have been approved.

9 So the thing to point out here is
10 that Method Home Products, which was approved at
11 the last meeting, which I believe was early August,
12 if memory serves, has successfully closed as of
13 last Friday.

14 SCR Medical Transportation, which
15 was approved at a prior meeting, is still in
16 closing, but hopefully they can close at the finish
17 line.

18 As far as updating the map of where
19 CDF's investments have gone, so Method is down here
20 in the Pullman neighborhood just west of the Bishop
21 Ford at 111th Street.

22 MS. NEELY: The bottling company associated
23 with Method, has their deal been finalized as well?

24 MR. SMITH: Yes. They have an executed

1 lease. Amcor Rigid Plastics is the name of that
2 company.

3 Also, the greenhouse operator, which
4 is Gotham Greens, has also executed a lease for
5 their rooftop facility.

6 And all three were in place at
7 closing.

8 MS. NEELY: And when do you think that the
9 facility will be up and running?

10 MR. SMITH: They're actually going to be
11 moving in equipment early next year. I believe the
12 grand opening event is April of 2015. And
13 definitely the whole board will be invited. So
14 we'll coordinate that with Method to make sure
15 there's lots of notice.

16 MS. NEELY: Okay.

17 CHAIRMAN MOONEY: Okay.

18 MR. SMITH: As far as construction status, so
19 projects that closed last year, Shops & Lofts at
20 47, ACE Solar Energy, Breakthrough Urban
21 Ministries, are all nearing completion and all
22 anticipated to reach full completion in the fourth
23 quarter of this year.

24 METROsquash, which closed in late

1 July, and Method, which closed last Friday, are the
2 ones that are in the thick of construction at this
3 point. Everything else that was on that prior list
4 has been completed and is in operation.

5 CHAIRMAN MOONEY: Shops & Lofts will be
6 having their ribbon cutting shortly.

7 Will they not, Tracy?

8 MS. SANCHEZ: In October.

9 MR. SMITH: Yeah, it's definitely October.
10 13th?

11 CHAIRMAN MOONEY: We'll make sure you all get
12 invitations. It would be great if you could make
13 it.

14 MS. SANCHEZ: I have the 14th. Oh, no,
15 sorry. Yes, the 14th at 10:00 a.m. is the
16 tentative right now for the ribbon cutting for
17 Shops & Lofts.

18 MR. SMITH: And then another familiar chart,
19 the cumulative CDF allocation deployment as well as
20 the individual awards that make up CDF's total
21 portfolio.

22 So at this point the total
23 allocation closed stands at 251 million. The total
24 remaining stands at 30 million with the recent

1 Method closing which happened last Friday.

2 MS. NEELY: So the 30 million includes 13 or
3 excludes 13?

4 MR. SMITH: 30 million is the remaining
5 beyond the 13 that closed, yeah.

6 MS. NEELY: Thank you.

7 MR. SMITH: Okay. And that segues nicely
8 into kind of a recap of the status of the most
9 recent award.

10 CHAIRMAN MOONEY: Excuse me, Tony. As we go
11 through this, we want to make sure that we're still
12 on focus with these five or six bullet points
13 because these will be the backbone of the new
14 application going forward.

15 MR. SMITH: Thank you. Yeah.

16 And we touched on some of these
17 points, most of these points at the last meeting,
18 and so we thought it would be useful sort of
19 revisiting that strategy as the allocation from the
20 most recent round gets deployed to kind of make
21 sure that we're on course and measure progress
22 against that initial goal.

23 So just a quick reminder as far as
24 kind of the hallmarks of the strategy from the last

1 application that resulted in the \$43 million award:
2 Emphasizing CDF's deployment of about 40 million of
3 allocation per year fairly steadily; focusing on
4 the three policy priorities that have been CDF's
5 mission from day one, supporting industrial
6 expansion within the city, access to healthy foods,
7 and development of nonprofit-sponsored community
8 facilities, healthcare, education, job training,
9 youth violence prevention, things like that.

10 A newer priority, but one that's
11 reflective of, I think, both CDF's industrial goals
12 as well as Treasury's priorities that they keep
13 articulating are try to incorporate financing where
14 possible for non real estate costs, things like
15 equipment, working capital, not just bricks and
16 mortar real estate. So we'll talk in a second
17 about how the Method transaction fit into that.
18 But that is kind of a growing policy priority.

19 Supporting retail selectively
20 basically to address shortfalls in healthy foods
21 access given that the job quality from retail tends
22 to be fairly limited in terms of part-time
23 employment being more prevalent and wages and
24 benefits being limited or nonexistent. And so

1 supporting retail is a strategy to serve
2 neighborhoods, not as an economic development
3 strategy per se.

4 And then focusing on areas that are
5 truly qualified in every sense of the word for New
6 Markets, not just nominally meeting the basic
7 census criteria, but also including distressed
8 areas of the city, South Side and West Side
9 predominantly.

10 ALDERMAN TUNNEY: Could you go back to the
11 working capital?

12 MR. SMITH: Yes.

13 ALDERMAN TUNNEY: Would you elaborate that?

14 MR. SMITH: Sure.

15 The New Markets is tremendously
16 flexible. As long as you're funding a legitimate
17 business expense of the New Markets borrower and
18 the cash is going to get used within a stipulated
19 12-month timeframe from closing, you can finance
20 basically any business expense, whether it's real
21 estate or equipment.

22 The reason that real estate's been
23 very dominant in the program is that you have to
24 measure where -- in what census tract the assets of

1 the borrower fall. And if it's just a real estate
2 special purpose entity, there's no ambiguity; it's
3 going to be fully located in a qualified census
4 tract as of closing, you're grandfathered in for
5 the whole seven-year compliance period.

6 If you're funding equipment and
7 working capital, you know, a business can pick up
8 and move. It can develop another operation in some
9 other location. That's kind of a more compliance
10 consideration.

11 It's also more difficult to support
12 longer term financing when you're doing equipment
13 in particular since it tends to have a short useful
14 life.

15 So those have been kind of the
16 obstacles historically in the New Markets program
17 for doing substantial amounts of equipment and
18 working capital. But Treasury consistently makes
19 it clear that they want CDEs, where possible, to
20 start diversifying what they're funding. And so
21 when opportunities present themselves, then -- and
22 Method was one of those opportunities, it's -- I'd
23 say it's advisable for CDF to take those
24 opportunities.

1 ALDERMAN TUNNEY: So if we have an existing
2 plant or something that is looking for new
3 equipment and working capital to stay in business
4 or expand at the current site, that would meet the
5 criteria?

6 MR. SMITH: Absolutely. Yeah. Yeah, that
7 would probably be the -- Method was a brand new
8 construction factory which needed new equipment to
9 start production. But definitely the profile you
10 just mentioned, Alderman, would also be very much
11 in CDF's wheelhouse policy-wise, supporting an
12 existing legacy business in Chicago that's trying
13 to add a new production line or modernize its
14 equipment.

15 ALDERMAN TUNNEY: And I'm sure from the
16 department's view, this is another tool in their
17 toolbox.

18 MR. SMITH: In particular since equipment is
19 not a TIF-eligible expense, it creates kind of a
20 new opportunity to serve a new category.

21 CHAIRMAN MOONEY: Any other questions?

22 (No response.)

23 No. Okay. Continue.

24 MR. SMITH: So as far as just kind of the

1 flow of dollars, what we touched on in the last
2 meeting was fully closing and funding the
3 13 million for the Method transaction by the
4 October 1st, 2014 application deadline. That has
5 been achieved.

6 Structuring commitments, where
7 possible, for most of the other 30 million by year
8 end. So that there's a kind of known deployment
9 plan within this calendar year.

10 And then in order to demonstrate
11 sufficient progress to Treasury in that deployment
12 process, considering prefunding of some or all of
13 that allocation that's been committed by -- at this
14 point it's January 30th, 2015 is the QEI deadline
15 that Treasury has articulated in this round. So
16 that's the point at which Treasury will most likely
17 take a hard look at who has allocation remaining
18 from the most recent round and make decisions
19 accordingly.

20 So in terms of specific progress to
21 date against those goals, the Method closed on
22 September 12th, 13 million total allocation. And,
23 in fact, CDF's participation was bifurcated into
24 two separate loans. One was a \$10 million facility

1 for the tenant in the building; that's going to be
2 the manufacturer of all of -- 80 to 90 percent of
3 Method's products for the North American market.
4 So that funded equipment and working capital.

5 And then a separate loan as part of
6 a multi CDE structure to the landlord controlling
7 of this building. It's a real estate special
8 purpose entity of Method. And so that was 3 million
9 out of the 13 total.

10 ALDERMAN TUNNEY: So what was the project
11 cost to Method?

12 MR. SMITH: In aggregate, I believe it's
13 about 32 million.

14 ALDERMAN TUNNEY: And then potential number
15 of jobs?

16 MR. SMITH: So Method itself is projecting,
17 they say, and we think they're serious about this,
18 conservatively 66 positions for Method itself. And
19 then --

20 MS. NEELY: That's full-time?

21 MR. SMITH: That's full-time, yeah.

22 And then Amcor Rigid Plastics, which
23 is the inhouse bottler, separate company, is
24 projecting about 30 positions also full-time.

1 MS. NEELY: Are those being moved from their
2 previous location, that 30, or are these new jobs?

3 MR. SMITH: Amcor?

4 MS. NEELY: Uh-huh.

5 MR. SMITH: I believe that those are a
6 mixture of relocations and new. I don't have an
7 exact breakdown of that.

8 MS. NEELY: Do we have any requirement for
9 people from the community working at either?

10 MR. SMITH: So Method signed an agreement --
11 benefits agreement with Alderman Beale's office
12 that requires 25 percent neighborhood hire and
13 50 percent City residence hire.

14 And then Gotham Greens also is
15 projecting 30 positions. They're not quite as far
16 along. They have about \$7 million for their own
17 build-out to do on top of the roof. So their
18 hiring plan is a little less concrete, and they're
19 not directly a party to the loan agreement. But
20 30 positions is their projection as well.

21 So in aggregate, north of a hundred
22 positions.

23 As far as progress to date in
24 deployment and by category, so in CDF's prior

1 allocations, community facilities is the
2 predominant category, about 76 percent of the
3 dollars. And so we touched on at the last meeting
4 where possible seeking opportunities to diversify
5 to industrial and grocery projects while still
6 recognizing the need for, number one, high-impact
7 projects and, number two, prompt deployment.

8 So just a tracker of the current
9 allocation round, so 30 percent of these is going
10 to industrial, and thus the Method portion. And
11 there's reason to be hopeful that perhaps the Whole
12 Foods transaction at 63rd and Halsted will be ready
13 for board consideration at the next meeting. It
14 seems to be moving pretty well. So there'll be a
15 grocery transaction added to the pie on the right.

16 And so at this point we've been
17 working hard with the department to identify what
18 kind of -- work through all the industrial
19 opportunities in particular that are out there
20 in the city and assess the impact level, the
21 reliability for New Markets as well as the
22 timeline.

23 And we would anticipate -- we
24 think that those are kind of mostly longer term

1 opportunities at this point. Method seems to have
2 been the only kind of short-term New Markets closed
3 opportunity in the industrial phase, at least for
4 this calendar year.

5 So we're kind of looking more
6 broadly now at community facilities as well to
7 make sure that there's prompt deployment.

8 CHAIRMAN MOONEY: Okay. Questions?

9 ALDERMAN AUSTIN: Mr. Chairman, do we have
10 any more applicants in the queue?

11 MR. SMITH: Yeah. There's several applicants
12 that have paperwork in to CDF at this point.

13 ALDERMAN AUSTIN: Are any of those, you know,
14 grocery stores and healthcare?

15 MR. SMITH: So, yeah, the 63rd and Halsted
16 Whole Foods has applied to CDF for financing.

17 ALDERMAN AUSTIN: I mean besides that.

18 MR. SMITH: Oh, besides that.

19 Yes. So in terms of industrial
20 applicants, there's a company in the Pullman
21 neighborhood that works in food distribution.

22 There is a facility in your ward, a
23 bowling project.

24 ALDERMAN AUSTIN: Now you know why I asked.

1 MR. SMITH: Yeah.

2 ALDERMAN AUSTIN: Okay. Thank you.

3 CHAIRMAN MOONEY: Thank you.

4 ALDERMAN AUSTIN: Thank you, Mr. Chairman.

5 CHAIRMAN MOONEY: So to the point of the
6 meeting, we need to put in another application and
7 need your approval to do so.

8 Do you want to outline that, Tony?

9 MR. SMITH: Sure.

10 So the due date is 10/1/2014, two
11 weeks from now. The most recent application round
12 was announced in August 2014.

13 Treasury technically opened the
14 round up for up to 5 billion of funding, but that's
15 not really a meaningful number at this point
16 because Congress needs to act to create
17 authorization for any allocation, let alone
18 5 billion.

19 MS. NEELY: Remind us how much they awarded
20 this last year.

21 MR. SMITH: 3.5.

22 MS. NEELY: Okay.

23 MR. SMITH: Yeah, that's been the trend --

24 MS. NEELY: It's been going down, though.

1 MR. SMITH: Well, so in the '08 and '09
2 rounds, it was supplemented by the stimulus. There
3 was 5 billion total for those two rounds. And then
4 since then it's been 3-1/2 billion consistently.

5 There's lots of proposals on Capitol
6 Hill to extend the program, inflation index that'll
7 expand it. But those are proposals.

8 So I think the most likely scenario
9 would be kind of a repeat of what happened last
10 time, which was a short-term extension of the
11 program with \$3-1/2 billion scale and non-
12 permanency in the tax code. But anything could
13 happen.

14 And so as far as the anticipated
15 ask, theoretically CDF could ask for up to 125
16 million. The largest award in the most recent
17 round was 60 million, and that went to only
18 national entities; so a couple large banks and
19 some national community development financial
20 institutions.

21 CDF received 43, which is quite a
22 healthy award for a city, the largest for a city.

23 So there's definitely strong
24 suggestions from Treasury as well as if you talk to

1 folks in the industry about not overshooting what
2 you ask. And so the anticipated ask that we would
3 recommend would be in the 85 to 90 million range
4 since a two-year allocation is the most that you're
5 encouraged to ask for, and CDF's historical
6 deployment supports about that amount of
7 allocation.

8 CDF will not receive the 85 to 90
9 million. There's no chance of that.

10 MS. NEELY: What did we ask for last year?

11 MR. SMITH: 96.7.

12 MS. NEELY: And what did we get?

13 MR. SMITH: 43.

14 MS. NEELY: All right.

15 MR. SMITH: So 80 to 90 awards is typical,
16 but Treasury likes to change the game up a little
17 bit each year.

18 In terms of investment strategy, so
19 no real significant proposed change to the strategy
20 that was articulated in the most recent application.
21 So providing below market senior and subordinate
22 debt products, retaining flexibility to do equity
23 just in case, but in general equity is real
24 difficult to provide and doesn't confer any

1 additional economic benefit for the borrower. So
2 it's really a flexibility preservation strategy
3 there. And coordination with other City of Chicago
4 financing tools; so negotiated land sales, TIFs.
5 There's been a lot of that to date in CDF's
6 portfolio, so a continuation of that. In fact,
7 highlighting that CDF's relationship to the City
8 creates more opportunities for joint financing
9 structures versus significant gap financing.

10 Including some non real estate
11 operating business transactions in the portfolio in
12 recognition of the industrial mission as well as
13 the Treasury policy of priorities of funds in non
14 real estate costs.

15 Continuing the geographic focus on
16 the most distressed parts of the city. A hundred
17 percent of the projects CDF has done to date have
18 been in areas of greater economic distress, which
19 are not just minimally qualified New Markets, but
20 also have higher poverty rates, lower incomes, high
21 unemployment rates, or a host of other zone-based
22 criteria like empowerment zones, TIFs, et cetera.

23 In terms of the project categories,
24 high-quality job creation, principally small

1 business and industrial, nonprofit-sponsored
2 community facilities. In particular, we think
3 there's a national reputation of Chicago as a city
4 with an elevated murder rate and youth violence
5 rate, having projects that address that priority is
6 advisable.

7 Treasury, when they debriefed CDF
8 last year after its non award, indicated tying the
9 application to national policy priorities was a
10 good idea. So I think that's in particular a
11 reaction to that.

12 Grocery, anchor retail, and
13 other healthy food access projects and then
14 sustainability. CDF, with the Method transaction,
15 has at this point four LEED platinum facilities in
16 its portfolio and a number of other LEED certified
17 facilities, so that's a strong category as well.

18 And that is it.

19 CHAIRMAN MOONEY: Any questions?

20 So the general outline is that by
21 October 1st, we would put in an application on the
22 range of 80 to \$90 million in the hope that we get
23 something similar to what we already have. We'll
24 have to come back to you in the final quarter to

1 talk about the deployment of our current funding
2 like we did last year to put us in a better
3 competitive position. But we'll get back to you on
4 that.

5 Questions?

6 ALDERMAN TUNNEY: Question on --

7 CHAIRMAN MOONEY: Alderman Tunney.

8 ALDERMAN TUNNEY: Could you -- in terms of
9 the application, what about sustainability projects
10 and renewable energy? What's going on there? You
11 know, we obviously know our grocery issues. What
12 about environmental and sustainable ideas and
13 companies?

14 MR. SMITH: Sure.

15 So there's a couple proposals around
16 the city for anaerobic digesters, which is a -- is
17 the board familiar with that technology?

18 MS. NEELY: No.

19 MR. SMITH: So this is very common in Germany
20 and also in rural areas around the country. You're
21 basically taking biodegradable waste, food scraps,
22 et cetera, and putting it into a facility that
23 basically composts at a very high speed. And so
24 the byproducts are clean compost you can use for

1 urban farming as well as it's natural gas which can
2 then be immediately converted to electricity or
3 actually turned into kind of a usable natural gas
4 product.

5 There's actually a couple folks
6 around the city that are considering those types of
7 facilities attached to urban farming applications.

8 So we think that's sort of an
9 emerging sustainability category.

10 We also have potentially a future
11 phase of the ACE transaction. They're actually --
12 with the success from the initial phase in Chicago --

13 CHAIRMAN MOONEY: Remind everyone what the
14 ACE is.

15 MR. SMITH: Thank you. Sorry.

16 So ACE was a solar retrofit project.
17 ACE is an affiliate of the Hispanic Housing
18 Building Corporation that retrofit 11 buildings
19 around the city with about a thousand solar panels.
20 And so CDF's financing helped facilitate that
21 initial phase with the hope that ACE would then
22 grow to service non Hispanic housing projects as
23 well as outside the city.

24 And so ACE is working on that next

1 phase. So there's sort of an element of success
2 that we can point to to helping catalyze the growth
3 of that business model too.

4 CHAIRMAN MOONEY: And, again, we -- CDF has
5 financed four LEED platinum projects already.

6 MR. SMITH: Yeah. And there are a couple of
7 golds and couple silvers as well.

8 So a strong track record as far as
9 supporting sustainability projects that help and
10 actually to point to in the application.

11 CHAIRMAN MOONEY: Okay. Any other questions?

12 (No response.)

13 If not, is there a motion to go
14 ahead with the application?

15 MS. NEELY: Motion.

16 ALDERMAN AUSTIN: Second.

17 CHAIRMAN MOONEY: Motioned and seconded.

18 All in favor say aye.

19 (Chorus of ayes.)

20 Any opposed?

21 (No response.)

22 Thank you very much.

23 Unless anyone else has other
24 business, I think we're done. Motion to adjourn.

1 MS. NEELY: Motion.

2 ALDERMAN AUSTIN: So move.

3 CHAIRMAN MOONEY: Thank you.

4 All those in favor, say aye.

5 (Chorus of ayes.)

6 Thank you. And we're done.

7 (Which were all the proceedings
8 had this day.)

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1 STATE OF ILLINOIS)
) SS:
2 COUNTY OF C O O K)

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4 I, Nick D. Bowen, do hereby certify that
5 I reported in shorthand the proceedings of said
6 hearing as appears from my stenographic notes so
7 taken and transcribed under my direction.

8 IN WITNESS WHEREOF, I have hereunto set my
9 hand and affixed my seal of office at Chicago,
10 Illinois, this 23rd day of September 2014.

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13 Illinois CSR No. 084-001661
Notary Public, Cook County, Illinois
14 My commission expires June 13, 2017

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